

HOUSE BILL No. 1330

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-1.1-17-16; IC 21-2.

Synopsis: School corporation budgeting process. Allows the governing body of a school corporation to shift tax rates among the general fund, the capital projects fund, and the school transportation fund after the state board of tax commissioners has certified the school corporation's tax levy and rate. Provides that the revised combined tax rate may not exceed the original combined tax rate certified by the state board of tax commissioners.

Effective: July 1, 2001.

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January 9, 2001, read first time and referred to Committee on Ways and Means.

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Introduced

First Regular Session 112th General Assembly (2001)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2000 General Assembly.

HOUSE BILL No. 1330

A BILL FOR AN ACT to amend the Indiana Code concerning education finance.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 6-1.1-17-16 IS AMENDED TO READ AS
2 FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 16. (a) Subject to the
3 limitations and requirements prescribed in this section, the state board
4 of tax commissioners may revise, reduce, or increase a political
5 subdivision's budget, tax rate, or tax levy which the board reviews
6 under section 8 or 10 of this chapter.

7 (b) Subject to the limitations and requirements prescribed in this
8 section, the state board of tax commissioners may review, revise,
9 reduce, or increase the budget, tax rate, or tax levy of any of the
10 political subdivisions whose tax rates compose the aggregate tax rate
11 within a political subdivision whose budget, tax rate, or tax levy is the
12 subject of an appeal initiated under this chapter.

13 (c) Except as provided in ~~subsection~~ **subsections (i) and (j)**, before
14 the state board of tax commissioners reviews, revises, reduces, or
15 increases a political subdivision's budget, tax rate, or tax levy under
16 this section, the board must hold a public hearing on the budget, tax
17 rate, and tax levy. The board shall hold the hearing in the county in

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1 which the political subdivision is located. The board may consider the
 2 budgets, tax rates, and tax levies of several political subdivisions at the
 3 same public hearing. At least five (5) days before the date fixed for a
 4 public hearing, the board shall give notice of the time and place of the
 5 hearing and of the budgets, levies, and tax rates to be considered at the
 6 hearing. The board shall publish the notice in two (2) newspapers of
 7 general circulation published in the county. However, if only one (1)
 8 newspaper of general circulation is published in the county, the board
 9 shall publish the notice in that newspaper.

10 (d) Except as provided in subsection (h), IC 6-1.1-19, or
 11 IC 6-1.1-18.5, the state board of tax commissioners may not increase
 12 a political subdivision's budget, tax rate, or tax levy to an amount which
 13 exceeds the amount originally fixed by the political subdivision. The
 14 state board of tax commissioners shall give the political subdivision
 15 written notification specifying any revision, reduction, or increase the
 16 state board of tax commissioners proposes in a political subdivision's
 17 tax levy or tax rate. The political subdivision has one (1) week from the
 18 date the political subdivision receives the notice to provide a written
 19 response to the state board of tax commissioners' Indianapolis office
 20 specifying how to make the required reductions in the amount budgeted
 21 for each office or department. The state board of tax commissioners
 22 shall make reductions as specified in the political subdivision's
 23 response if the response is provided as required by this subsection and
 24 sufficiently specifies all necessary reductions. The state board of tax
 25 commissioners may make a revision, a reduction, or an increase in a
 26 political subdivision's budget only in the total amounts budgeted for
 27 each office or department within each of the major budget
 28 classifications prescribed by the state board of accounts.

29 (e) The state board of tax commissioners may not approve a levy for
 30 lease payments by a city, town, county, library, or school corporation
 31 if the lease payments are payable to a building corporation for use by
 32 the building corporation for debt service on bonds and if:

- 33 (1) no bonds of the building corporation are outstanding; or
- 34 (2) the building corporation has enough legally available funds on
- 35 hand to redeem all outstanding bonds payable from the particular
- 36 lease rental levy requested.

37 (f) The action of the state board of tax commissioners on a budget,
 38 tax rate, or tax levy is final. The board shall certify its action to:

- 39 (1) the county auditor; and
- 40 (2) the political subdivision if the state board acts pursuant to an
- 41 appeal initiated by the political subdivision.

42 (g) The state board of tax commissioners is expressly directed to

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complete the duties assigned to it under this section not later than February 15th of each year for taxes to be collected during that year.

(h) Subject to the provisions of all applicable statutes, the state board of tax commissioners may increase a political subdivision's tax levy to an amount that exceeds the amount originally fixed by the political subdivision if the increase is:

(1) requested in writing by the officers of the political subdivision;

(2) either:

(A) based on information first obtained by the political subdivision after the public hearing under section 3 of this chapter; or

(B) results from an inadvertent mathematical error made in determining the levy; and

(3) published by the political subdivision according to a notice provided by the state board of tax commissioners.

(i) The state board of tax commissioners shall annually review the budget of each school corporation not later than April 1. The state board of tax commissioners shall give the school corporation written notification specifying any revision, reduction, or increase the state board of tax commissioners proposes in the school corporation's budget. A public hearing is not required in connection with this review of the budget.

(j) Except as provided in IC 6-1.1-19-5.4, if the governing body of a school corporation elects to increase or decrease:

(1) the general fund tax levy and rate under IC 21-2-11-2;

(2) the school transportation fund tax rate under IC 21-2-11.5-5; or

(3) the capital projects fund tax rate under IC 21-2-15-11;

the state board of tax commissioners shall review the revised rate or levy not later than April 1 of the year in which the governing body increases or decreases the tax levy or rate. A public hearing is not required in connection with the review under this subsection. This review is in addition to any review conducted under subsection (c).

SECTION 2. IC 21-2-11-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 2. **(a)** The governing body of each school corporation in the state of Indiana shall establish a general fund for the operation and maintenance of local schools and levy a tax therefor. All receipts and disbursements heretofore authorized by law for school funds and tax levies for the tuition fund, special school fund, special fund, vocational fund, recreation fund,

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compulsory education fund, school library fund, high school library fund, public employee's retirement fund, operating fund, transportation tax and county wide school tax shall, on and after January 1, 1968, be received in and disbursed from the general fund. Tax levy and rate for the general fund shall be established by the governing body of each school corporation for the 1968 calendar year and all succeeding calendar years. Any balances of all the aforesaid funds on January 1, 1968 shall be transferred to the general fund.

(b) After the state board of tax commissioners certifies the general fund tax levy and rate established by a governing body of a school corporation for a taxable year under IC 6-1.1-17-16(c), the governing body may increase or decrease the general fund tax levy and rate.

(c) If a governing body elects to increase or decrease a general fund tax levy and rate as described in subsection (b), the combined tax levy and rate of the school transportation fund established under IC 21-2-11.5-2, the capital projects fund established under IC 21-2-15-4, and the general fund, as increased or decreased under subsection (b), may not exceed the combined tax levy and rate of the school transportation fund, the capital projects fund, and the general fund as certified by the state board of tax commissioners under IC 6-1.1-17-16(c).

(d) When a governing body elects to increase or decrease a general fund tax levy and rate as described in subsection (b), the governing body shall determine:

- (1) whether to increase or decrease the school transportation fund tax rate or the capital projects fund tax rate; and
- (2) if the governing body elects to increase or decrease a tax rate under subdivision (1), the amount of the increase or decrease.

SECTION 3. IC 21-2-11-2.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 2.5. (a) If a governing body elects to increase or decrease the general fund tax levy and rate, the governing body shall submit the revised general fund tax levy and rate to the state board of tax commissioners before March 15 of the year in which the governing body revises the levy and rate.

(b) The state board of tax commissioners shall complete its review of the revised general fund tax levy and rate under IC 6-1.1-17-16(j) not later than April 1 of the year in which the governing body submits the revised levy and rate.

SECTION 4. IC 21-2-11-4 IS AMENDED TO READ AS

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FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 4. (a) Any lawful school expenses payable from any other fund of the school corporation, including without limitation debt service and capital outlay, but excluding costs attributable to transportation as defined in IC 21-2-11.5-2, may be budgeted in and paid from the general fund. In addition, remuneration for athletic coaches (whether or not they are otherwise employed by the school corporation and whether or not they are licensed under IC 20-6.1-3) may be budgeted in and paid from the school corporation's general fund.

(b) Except as provided in subsection (a), if a governing body of a school corporation elects to decrease a general fund tax rate under section 2(b) of this chapter in order to increase a school transportation fund tax rate under IC 21-2-11.5-5, any lawful expense attributable to transportation (as defined in IC 21-2-11.5-2(b)) and payable from the school transportation fund remains payable from the school transportation fund.

(c) Except as provided in subsection (a), if the governing body of a school corporation elects to increase a general fund tax levy and rate under section 2(b) of this chapter in order to decrease a capital projects fund tax rate under IC 21-2-15-11(e), any lawful capital outlay remains payable from the general fund.

SECTION 5. IC 21-2-11.5-5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 5. (a) After the state board of tax commissioners certifies the school transportation fund tax rate established by a governing body of a school corporation for a taxable year under IC 6-1.1-17-16(c), the governing body may increase or decrease the school transportation fund tax rate.

(b) If a governing body elects to increase or decrease a school transportation fund tax rate as described in subsection (a), the combined tax levy and rate of the capital projects fund established under IC 21-2-15-4, the general fund established under IC 21-2-11-2, and the school transportation fund, as increased or decreased under subsection (a), may not exceed the combined tax levy and rate of the capital projects fund, the general fund, and the school transportation fund, all as certified by the state board of tax commissioners under IC 6-1.1-17-16(c).

(c) When a governing body elects to increase or decrease a general fund tax rate as described in subsection (a), the governing body shall determine:

(1) whether to increase or decrease the general fund tax levy and rate or the capital projects fund tax rate; and



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(2) if the governing body elects to increase or decrease a tax rate under subdivision (1), the amount of the increase or decrease.

SECTION 6. IC 21-2-11.5-6 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 6. **(a) If a governing body elects to increase or decrease the school transportation fund tax rate, the governing body shall submit the revised school transportation fund tax rate to the state board of tax commissioners before March 15 of the year in which the governing body revises the rate.**

(b) The state board of tax commissioners shall complete its review of the revised school transportation fund tax rate under IC 6-1.1-17-16(j) not later than April 1 of the year in which the governing body submits the revised rate.

SECTION 7. IC 21-2-15-5, AS AMENDED BY P.L.96-2000, SECTION 7, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 5. (a) Before a governing body may collect property taxes for a capital projects fund in a particular year, the governing body must, after January 1 and not later than September 20 of the immediately preceding year, hold a public hearing on a proposed plan and then pass a resolution to adopt a plan.

(b) The state board of tax commissioners shall prescribe the format of the plan. A plan must apply to at least the three (3) years immediately following the year the plan is adopted. A plan must estimate for each year to which it applies the nature and amount of proposed expenditures from the capital projects fund. A plan must estimate:

- (1) the source of all revenue to be dedicated to the proposed expenditures in the upcoming calendar year; and
- (2) the amount of property taxes to be collected in that year and retained in the fund for expenditures proposed for a later year.

(c) If a hearing is scheduled under subsection (a), the governing body shall publish the proposed plan and a notice of the hearing in accordance with IC 5-3-1-2(b).

(d) If a governing body elects to increase or decrease the capital projects fund tax rate under IC 21-2-15-11(e), the plan adopted under subsection (a) remains in effect for the duration of the plan, except as modified under section 8 of this chapter or amended under section 10 of this chapter.

SECTION 8. IC 21-2-15-11 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 11. (a) To provide for the capital projects fund, the governing body may, for each year in

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which a plan adopted under section 5 of this chapter is in effect, impose a property tax rate that does not exceed forty-one and sixty-seven hundredths cents (\$0.4167) on each one hundred dollars (\$100) of assessed valuation of the school corporation. This actual rate must be advertised in the same manner as other property tax rates.

(b) The maximum property tax rate levied by each school corporation must be adjusted each time a general reassessment of property takes effect.

(c) The new maximum rate under this section is the tax rate determined under STEP SEVEN of the following formula:

STEP ONE: Determine the maximum rate for the school corporation for the year preceding the year in which the general reassessment takes effect.

STEP TWO: Determine the actual percentage increase (rounded to the nearest one-hundredth percent (0.01%)) in the assessed value of the taxable property from the year preceding the year the general reassessment takes effect to the year that the general reassessment is effective.

STEP THREE: Determine the three (3) calendar years that immediately precede the ensuing calendar year and in which a statewide general reassessment of real property does not first become effective.

STEP FOUR: Compute separately, for each of the calendar years determined in STEP THREE, the actual percentage increase (rounded to the nearest one-hundredth percent (0.01%)) in the assessed value of the taxable property from the preceding year.

STEP FIVE: Divide the sum of the three (3) quotients computed in STEP FOUR by three (3).

STEP SIX: Determine the greater of the following:

(A) Zero (0).

(B) The result of the STEP TWO percentage minus the STEP FIVE percentage.

STEP SEVEN: Determine the quotient of the STEP ONE tax rate divided by the sum of one (1) plus the STEP SIX percentage increase.

(d) The state board of tax commissioners shall compute the maximum rate allowed under subsection (c) and provide the rate to each school corporation.

(e) Except as provided in subsection (a), after the state board of tax commissioners certifies the capital projects fund tax rate established by a governing body of a school corporation for a taxable year under IC 6-1.1-17-16(c), the governing body may

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1 increase or decrease the capital projects fund tax rate.

2 (f) If a governing body elects to increase or decrease a capital
3 projects fund tax rate as described in subsection (e), the combined
4 tax levy and rate of the general fund established under
5 IC 21-2-11-2, the school transportation fund established under
6 IC 21-2-11.5-2, and the capital projects fund, as increased or
7 decreased under subsection (e), may not exceed the combined tax
8 levy and rate of the school transportation fund, the general fund,
9 and the capital projects fund as certified by the state board of tax
10 commissioners under IC 6-1.1-17-16(c).

11 (g) When a governing body elects to increase or decrease a
12 capital projects fund tax rate as described in subsection (e), the
13 governing body shall determine:

14 (1) whether to increase or decrease the school transportation
15 fund tax rate or the general fund tax rate and levy; and

16 (2) if the governing body elects to increase or decrease a tax
17 rate or tax levy under subdivision (1), the amount of the
18 increase or decrease.

19 SECTION 9. IC 21-2-15-11.5 IS ADDED TO THE INDIANA
20 CODE AS A NEW SECTION TO READ AS FOLLOWS
21 [EFFECTIVE JULY 1, 2001]: Sec. 11.5. (a) If a governing body
22 elects to increase or decrease the capital projects fund tax rate, the
23 governing body shall submit the revised capital projects fund tax
24 rate to the state board of tax commissioners before March 15 of the
25 year in which the governing body revises the tax rate.

26 (b) The state board of tax commissioners shall complete its
27 review of the revised capital projects fund tax rate under
28 IC 6-1.1-17-16(j) not later than April 1 of the year in which
29 governing body submits the revised tax rate.

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